

News Release

Retail Sector Customer Satisfaction Falls Significantly

Decline due in part to pronounced decrease in tourist satisfaction; the other CSISG sector measured in 2014 Q1, Info-communications, registered a slight dip

Singapore, 26 June 2014 (Thursday) – The Institute of Service Excellence at the Singapore Management University (ISES) (卓越服务研究院) today released the 2014 first quarter (Q1) Customer Satisfaction Index of Singapore (CSISG) results for the Retail and Info-communications sectors.

In face-to-face interviews with 9,250 resident and tourist respondents between January and March 2014, the latest findings revealed customer satisfaction for the Retail sector fell by 2.5-points (-3.5%) year-on-year to 69.6-points (on a 0 to 100 scale). The Info-communications sector also registered a decline, albeit smaller. The sector dipped 0.9-points (-1.3%) year-on-year to 66.8-points.

For the Retail sector, the CSISG measured eight sub-sectors. Of these, seven recorded year-on-year declines: Departmental stores (-6.9-points/-9.1%), Petrol service stations (-1.4-points/-1.9%), Motor vehicles (-2.5-points/-3.4%), Fashion apparels (-2.3-points/-3.2%), Furniture stores (-8.2-points/-11.0%), Jewellery stores (-2.0-points/-2.8%), and Clocks & Watches (-4.4-points/-6.0%). The bright spot for the Retail sector came from the Supermarkets sub-sector, improving by 1.1-points (+1.6%) and registering its sixth year-on-year increase to reach a record 71.1-points in 2014.

In examining the possible reasons for the fall in Retail customer satisfaction, it was noteworthy that all four of the sub-sectors that took into account tourist responses, namely Departmental stores, Fashion apparels, Jewellery stores, and Clocks & Watches, indicated these tourist respondents were significantly less satisfied this year, compared to last year.

Ms Caroline Lim (林晓玲), ISES Director (总监) said, “While both local and tourist respondents were less satisfied with these four sub-sectors compared to 2013, the difference in magnitude of the changes for each group was quite stark, with tourist satisfaction falling 9.7-points (-12.2%) while local satisfaction dipped 1.4 points (-1.9%).”

Further analysis showed that all three drivers of satisfaction, namely customer expectations, perceived quality, and perceived value, fell significantly year-on-year for tourist respondents. However, in contrast to tourists' declining perceptions of value in these four sub-sectors, perceived value for local respondents improved significantly year-on-year. Locals' expectations and perceptions of quality did not change significantly.

Ms Lim added, "Satisfaction levels will fluctuate year to year, but company leadership should maintain a long-term outlook to progressively raise customer satisfaction. Using this quarter's Departmental stores data for example, a highly satisfied customer would have spent 23.3% more at the store over a one year period than a less satisfied customer. This link between improved satisfaction and increased spending is compelling and worth tracking."

Within the Info-communications sector, the Mobile Telecoms sub-sector dipped 0.85-points (-1.3%) to 67.2-points, while the Broadband sub-sector fell more significantly by 2.2-points (-3.3%) to 65.3-points. The CSISG also added two new sub-sectors this year: Pay TV, scoring 66.5-points, and Wireless@SG, scoring 61.5-points.

A key observation in the Mobile Telecoms, Broadband, and Pay TV sub-sectors was the difference in satisfaction and loyalty levels between new customers (i.e., less than two years with the telco) and re-contract customers (i.e., two or more years with the telco).

In all three Info-communications sub-sectors, re-contract customers had greater levels of customer satisfaction and loyalty as compared to the new customers. Re-contract customers also had much smaller gaps between their levels of expectations and the perceived quality of their telco, compared to new customers.

Assistant Professor of Marketing (Practice) Marcus Lee (李德发), Academic Director (学术总监) of ISES said, "It is important for service providers to try and meet the ever changing expectations of their customers. Our analysis shows that satisfaction goes down when the perceived quality of the product or service does not live up to the expectations of the customer.

"And for the most part, our telcos seem to be doing a good job of this with their longer tenured customers. In fact, the latest findings show that although expectations of re-contract customers were significantly higher than new customers in the Broadband and Pay TV sub-sectors, the telcos were also seen to be delivering an equally high level of quality," he remarked.

Analysis of this quality-expectations gap in both the Retail and Info-communications sectors also revealed a peculiar finding: there was a positive gap between service quality and expectations, i.e., the service provider was able to meet or exceed expectations. On the other hand, service providers failed to meet expectations of product quality.

Commented Ms Lim, “This finding is a useful reminder for our businesses to look beyond customer service and frontline employees as the sole measure of customer satisfaction.

“Rather, organisations could approach customer satisfaction more holistically by re-examining their offerings, policies, and business processes that will affect the customer experience. These may include service re-design, service innovations, new product mixes, or an improved value proposition,” she concluded.

Please refer to Annex A for a background on the CSISG and the 2014 study, and Annex B for the detailed scores.

About the Customer Satisfaction Index of Singapore (CSISG)

The CSISG is an annual benchmark of customer satisfaction, covering nine key economic sectors in Singapore. The index has a quarterly measure-and-release cycle, covering up to three industry sectors each time. The CSISG serves as an objective barometer of service competitiveness across countries, industry sectors, sub-sectors and companies. Companies can tap on the detailed CSISG reports and its unique cross-industry comparison capability to make strategic business decisions.

About the Institute of Service Excellence at SMU (ISES)

The Institute of Service Excellence at the Singapore Management University (ISES) is the cornerstone of an initiative to raise Singapore's service standards and promote a culture of service excellence. Working in close collaboration with government agencies and business leaders, ISES champions service excellence through an integrated approach that encompasses benchmarking and analysis, research and thought leadership, and industry engagement.

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Annex A **About the Customer Satisfaction Index of Singapore (CSISG)**

Introduction

The Customer Satisfaction Index of Singapore (CSISG), currently in its eight year of measurement, complements production-based economic measures such as GDP by providing an assessment from the buyers' point of view. Both types of measures are necessary as economic growth hinges not only on producing more, but producing better and more competitive products and services.

CSISG measures customers' cumulative satisfaction with companies. The scores are generated using a structural equations model (please refer to figure 1) based on survey data collected from end-users after consumption of products and services. Sub-sector scores are derived as a weighted average of company scores, in proportion to the revenue contributions of companies. Sector scores are derived in a similar fashion, aggregating the sub-sector scores proportionately to each sub-sector's revenue contributions. CSISG scores customer satisfaction on a scale of 0 to 100 with higher scores representing better performance.

The methodological foundations of the CSISG are based on the American Customer Satisfaction Index (ACSI) that was developed by the National Quality Research Center (NQRC) at the University of Michigan. ACSI has been the de facto standardised measure of customer satisfaction in the United States economy since 1994.

Coverage of CSISG 2014

The CSISG is an objective and independent qualitative indicator that reports customer satisfaction scores on an overall national level, for nine key economic sectors and 41 sub-sectors of the Singapore economy. For 2014, the full Index is planned to measure some 110 business entities from the Finance & Insurance, Info-Communications, Transport & Logistics, Retail, Food & Beverage, Healthcare, Private Education, Public Education, and Tourism sectors. Altogether, these sectors cover two-thirds of Singapore's GDP.

CSISG 2014 First Quarter

Under a quarterly measure-and-release system, up to three out of nine sectors are measured each quarter with their results released in the following quarter. For the first quarter of 2013, customer responses for the Retail and Info-Communications sectors were collected and analysed. The former includes the Clocks & Watches, Departmental Stores, Fashion Apparels, Furniture Stores, Jewellery, Motor Vehicles, Petrol Service Stations, and Supermarkets sub-sectors. The latter consists of the Mobile Telecoms, Broadband, Pay TV, and Wireless@SG sub-sectors. The CSISG 2014 national score will be updated in the first quarter of 2015, computed based on the sector results from 2014's quarterly findings.

2014 also introduced new additions to the Info-Communications sector. Pay TV, which includes SingTel's mio TV and StarHub's CableTV, and the national Wi-Fi network, Wireless@SG, were added as sub-sectors to the Info-Communications sector.

Survey data for the Retail and Info-Communications sectors was collected between January and March 2014. Responses were primarily collected via face-to-face interviews with Singapore residents at their homes and departing tourists at Changi Airport. 8,040 unique

responses were collected from locals and 1,210 unique responses were collected from tourists.

In total, 9,250 responses for 508 companies and entities were recorded for the Retail and Info-Communications sectors; 25 entities have published scores.

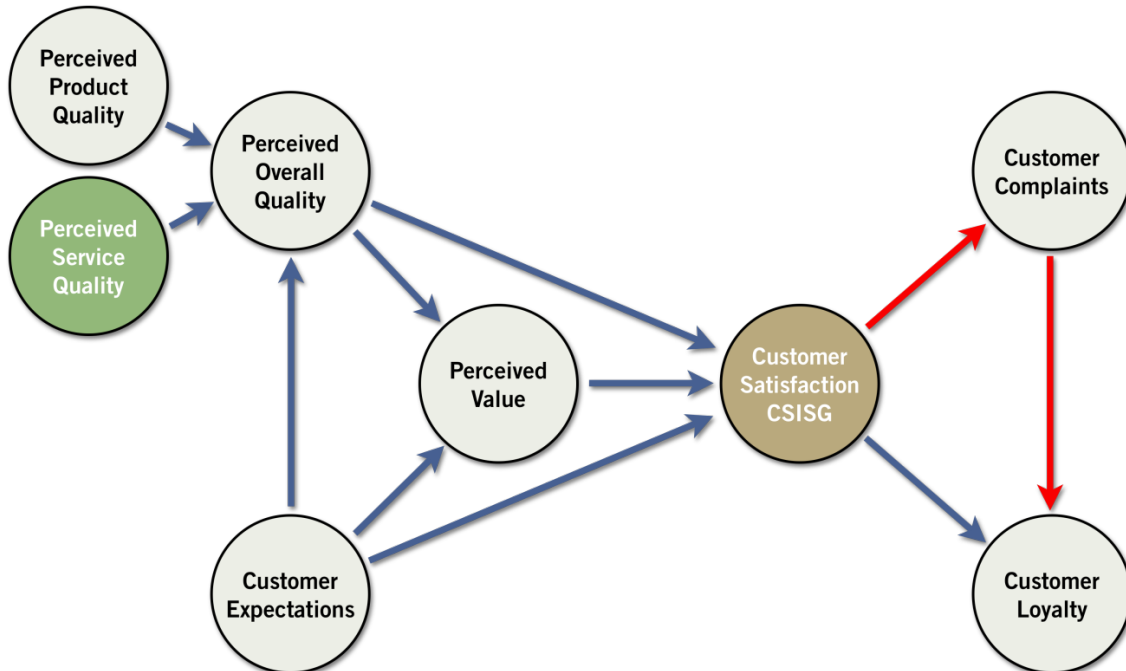
Methodology of CSISG

There are three drivers impacting customer satisfaction in the CSISG model: customer expectations, perceived quality (of products and services) and perceived value. This is illustrated in Figure 1 below.

- Customer expectations are pre-conceived notions and expectations of a company's performance based on factors such as past experience, media reports, advertising and word-of-mouth.
- Perceived overall quality (including product quality and service quality) represents the actual experience of the customer based on customer expectations. It measures reliability as well as how well the product or service meets the customer's personal requirements.
- Perceived value is the customer's assessment of the level of product or service quality relative to the price paid. In short, the bang-for-the-buck (value-for-money) measure.

CSISG also measures the two consequences of customers' satisfaction or dissatisfaction, namely, (a) customer complaints and (b) customer loyalty. Customer satisfaction matters as a driver of customer loyalty and repeat business.

Figure 1: CSISG model



Benefits of the CSISG

Customer satisfaction is driven by a consistent business strategy. Companies can capitalise on the CSISG as a strategic business tool to gain valuable insights about customer satisfaction through the ISES Corporate Membership, CSISG Custom Research, and the CSISG Subscription.

ISES Corporate Membership Programme

The ISES Corporate Membership Programme brings together a network of leaders from companies measured in the CSISG National Study.

The ISES Corporate Membership Programme will offer:

- Affiliation to a network of business leaders to collaborate on the CSISG National Study and survey design;
- A detailed company report from the CSISG National Study that provides in-depth information about trend data obtained from the CSISG National Study, and acts as a performance yardstick both against competitors and across industries;
- Invitations to ISES/SMU Executive Workshops and C-suite Roundtables.

CSISG Custom Research

Companies can leverage the CSISG methodology for purposes of benchmarking, to diagnose drivers of customer satisfaction, and to develop performance improvement initiatives, via a customised research study. Through the combination of data analytics and qualitative research, companies can gain specific insights into different business units or customer segments for targeted decision-making.

CSISG Subscription Programme

A CSISG subscription will be made available to representatives and employees of measured companies in the CSISG National Study. This scorecard report gives insights into how the company performed within the CSISG driver-satisfaction-consequence methodological framework.



2014 Q1 SCORES RETAIL AND INFO-COMMUNICATIONS



This chart summarises the results of the CSISG 2014 satisfaction scores in the Retail and Info-Communications sectors at the sector, sub-sector and company levels.

Each sector score (in gold) represents a weighted average of their respective sub-sector scores (in blue). Satisfaction scores for sub-sectors with individual company scores are weighted averages of these individual company scores.

All scores displayed are accurate to one-decimal place. Entities are presented in decreasing levels of satisfaction.

* Companies indicated with an asterisk(*) are companies that have performed significantly above their sub-sector average.

* Sub-sectors indicated with an asterisk(*) are sub-sectors that have performed significantly above their sector average.

The sparklines indicate the satisfaction score of their respective sectors, sub-sectors and companies over the past few years.

- statistically significant increase in customer satisfaction from 2013 to 2014
- statistically significant decrease in customer satisfaction from 2013 to 2014
- no significant year-on-year change in customer satisfaction score

Entity	Level	2007	2008	2009	2010	2011	2012	2013	2014	2014/2013 Year-on-Year Change	2014/2013 Year-on-Year % Change
RETAIL	Sector	68.5	68.1	65.8	68.2	70.6	69.1	72.2	69.6	-2.51	-3.5%
Departmental Stores	Sub-sector	68.7	66.3	65.5	70.0	70.8	70.3	75.2	68.4	-6.86	-9.1%
DFS	Company	69.3	66.0	66.2	76.7	72.5	74.1	79.8	71.4	-8.38	-10.5%
Takashimaya	Company	69.8	66.6	66.4	70.0	71.6	71.9	75.2	69.5	-5.68	-7.6%
Robinsons	Company	68.4	67.2	65.3	67.0	72.0	69.7	75.0	69.4	-5.58	-7.4%
Isetan	Company	NM	67.0	65.0	67.0	70.6	68.5	76.2	69.7	-6.48	-8.5%
Tangs	Company	NM	NM	65.5	70.2	71.8	71.9	75.8	67.9	-7.86	-10.4%
Metro	Company	NM	NM	64.5	68.1	70.4	68.6	75.1	68.0	-7.02	-9.4%
OG	Company	NM	NM	62.9	67.0	66.4	69.3	70.7	66.7	-3.99	-5.6%
Mustafa	Company	Note 2	Note 2	Note 2	Note 2	Note 2	67.3	71.1	65.6	-5.44	-7.7%
Other departmental stores	Company	67.5	65.7	64.4	64.6	68.3	67.0	73.0	66.0	-7.00	-9.6%
Supermarkets	Sub-sector	66.6	63.3	64.1	65.4	67.9	67.9	70.0	71.1	1.12	1.6%
NTUC FairPrice	Company	68.9	64.6	64.7	65.4	66.3	68.5	71.4	70.9	-0.53	-0.7%
Cold Storage	Company	67.3	63.9	64.4	67.1	69.0	67.9	69.5	71.7	2.14	3.1%
Mustafa	Company	65.0	66.6	63.6	61.5	69.5	Note 2	NM	NM	NA	NA
Sheng Siong	Company	NM	64.0	63.8	65.8	68.0	67.0	66.8	71.6	4.76	7.1%
Other supermarkets	Company	65.3	59.9	63.7	64.9	68.1	65.5	66.3	69.2	2.93	4.4%
Petrol Service Stations	Sub-sector	NM	68.5	67.8	66.4	67.1	68.7	70.6	69.2	-1.35	-1.9%
ExxonMobil (Esso)	Company	68.0	68.2	67.0	66.2	66.2	68.5	70.9	68.3	-2.62	-3.7%
Shell	Company	69.5	68.6	68.4	66.4	68.9	69.4	72.4	70.3	-2.12	-2.9%
Chevron (Caltex)	Company	68.8	68.8	68.3	66.6	66.2	66.7	67.4	68.6	1.24	1.8%
SPC	Company	69.6	68.5	68.7	66.4	66.2	69.9	70.4	69.6	-0.81	-1.2%
Motor Vehicles	Sub-sector	NM	70.1	65.7	69.6	73.2	69.0	73.1	70.6	-2.50	-3.4%
Borneo Motors	Company	70.3	70.6	66.5	68.7	72.1	Note 1	NM	NM	NA	NA
Cycle & Carriage	Company	68.9	68.9	65.9	69.1	71.5	Note 1	NM	NM	NA	NA
Tan Chong Motors	Company	67.5	71.0	66.1	69.2	70.7	Note 1	NM	NM	NA	NA
Kah Motors	Company	NM	68.6	66.5	68.1	71.3	Note 1	NM	NM	NA	NA
Other motor vehicle distributors	Company	67.8	70.2	65.5	69.8	73.7	Note 1	NM	NM	NA	NA
Fashion Apparels	Sub-sector	68.7	67.2	66.1	66.4	68.5	70.0	71.5	69.2	-2.31	-3.2%
Furniture Stores	Sub-sector	68.0	64.3	63.9	65.9	68.1	67.8	74.9	66.7	-8.22	-11.0%
IKEA	Company	NM	NM	NM	NM	NM	67.3	75.5	68.1	-7.38	-9.8%
Other furniture stores	Company	68.0	64.3	63.9	65.9	68.1	68.1	74.6	65.8	-8.77	-11.8%
Jewellery Stores	Sub-sector	70.0	68.2	69.0	69.2	71.8	70.9	70.7	68.7	-1.99	-2.8%
Clocks & Watches	Sub-sector	69.4	68.3	66.6	68.5	70.0	70.2	72.0	67.7	-4.35	-6.0%
INFO-COMMUNICATIONS	Sector	67.4	67.2	66.4	64.4	64.3	65.9	67.7	66.8	-0.85	-1.3%
Mobile Telecoms	Sub-sector	NM	67.5	66.6	64.7	64.5	66.3	67.7	67.2	-0.46	-0.7%
SingTel	Company	68.2	66.8	66.3	63.5	64.5	65.6	69.3	68.1	-1.15	-1.7%
StarHub	Company	67.4	69.1	68.0	65.7	64.1	66.6	66.8	67.2	0.47	0.7%
M1	Company	66.5	66.0	64.8	65.7	65.3	68.0	64.3	64.4	0.08	0.1%
Broadband	Sub-sector	NM	65.7	65.2	63.6	62.9	64.2	67.5	65.3	-2.21	-3.3%
SingTel	Company	67.6	66.1	65.1	63.1	62.2	64.0	67.7	65.1	-2.63	-3.9%
StarHub	Company	66.8	65.3	66.1	63.8	63.7	64.4	67.5	65.8	-1.75	-2.6%
M1	Company	66.6	65.3	60.3	65.6	63.7	63.9	64.3	66.2	1.84	2.9%
Pay TV	Sub-sector	NM	NM	NM	NM	NM	NM	NM	66.5	NA	NA
SingTel	Company	NM	NM	NM	NM	NM	NM	NM	65.0	NA	NA
StarHub	Company	NM	NM	NM	NM	NM	NM	NM	67.0	NA	NA
Wireless@SG	Sub-sector	NM	NM	NM	NM	NM	NM	NM	61.5	NA	NA

NM: Not Measured
NA: Not Applicable

Note 1: Tracking for individual Motor Vehicle companies was discontinued in 2012 due to the fall in new car sales volume.

Note 2: Mustafa was previously tracked under the Supermarket sub-sector. Since 2012, it has been tracked under the Departmental Stores sub-sector.